



AGENDA DATE: 07/26/99

**STATE OF NEW JERSEY**

***Board of Public Utilities***

*Two Gateway Center  
Newark, NJ 07102*

**ENERGY**

<b>IN THE MATTER OF ROCKLAND</b>	<b>)</b>	<b><u>SUMMARY ORDER</u></b>
<b>ELECTRIC COMPANY'S RATE</b>	<b>)</b>	
<b>UNBUNDLING, STRANDED COSTS AND</b>	<b>)</b>	<b>BPU DOCKET NOS. E097070464,</b>
<b>RESTRUCTURING FILINGS</b>	<b>)</b>	<b>E097070465, AND E097070466</b>

**(SERVICE LIST ATTACHED)**

**BY THE BOARD:**

This Summary Order memorializes in summary fashion the action taken by the Board of Public Utilities ("Board") in these matters at its July 26, 1999 public agenda meeting with respect to the rate unbundling, stranded costs and restructuring filings of Rockland Electric Company ("RECo" or "Company"). The Board will issue a more detailed Decision and Order in these matters, which will provide a full discussion of the issues as well as the reasoning for the Board's determinations.

These matters come before the Board on a record developed by Administrative Law Judge ("ALJ") William Gural, who issued an Initial Decision on August 18, 1998, and hearings conducted before Commissioner Carmen J. Armenti from April 27, 1998 through May 28, 1998. Subsequent to the ALJ's Initial Decision and the hearings before Commissioner Armenti, the Legislature passed and Governor Whitman signed into law on February 9, 1999, the Electric Discount and Energy Competition Act, P.L. 1999, c. 23 ("the Act").

Settlement negotiations were conducted among the parties during June and the early half of July 1999. A comprehensive settlement was not reached, but on July 13, 1999, a proposed Plan for Resolution of Proceedings ("Plan") was filed by RECo on its own behalf. The Board determined to solicit and consider comments on the RECo Plan, and established a comment deadline of July 20, 1999 for comments addressing the RECo Plan, including any alternative settlement proposal(s), and a deadline of July 22, 1999 for comments addressing any alternative settlement proposal(s). On July 20, 1999 an alternative joint proposal was submitted by the Division of the Ratepayer Advocate on behalf of itself and the Mid-Atlantic Power Supply Association ("RPA Stipulation"). Also on July 20, 1999, RECo executed a Stipulation of Settlement with New Jersey Transit wherein the parties incorporated the Plan in its entirety into the Stipulation ("RECo Stipulation").

Based on our review of the extensive record in these proceedings, as well as the comments submitted, the Board is not fully satisfied that either proposal in its entirety represents an appropriate resolution of these proceedings. The Board finds the RECo Stipulation to be overall more financially prudent and consistent with the Act's requirements and, with the modifications and clarifications set forth hereinbelow, provides the framework for a reasonable resolution of these matters based upon the record before us. However, the proponents of the RPA Stipulation have raised a number of legitimate concerns regarding the RECo Stipulation which merit serious consideration and which, where appropriate, are addressed by the modifications and clarifications set forth below.

Accordingly, except as specifically noted below, and as will be further explained in a detailed order which shall be issued, we hereby incorporate by reference as if completely set forth herein, as a fair resolution of the issues in these proceedings, the elements of the RECo Stipulation and, to the extent the Initial Decision is inconsistent herewith, it is modified to conform herewith.

The modifications and clarifications to the RECo Stipulation (with reference to the paragraphs of the Plan incorporated therein) which we **HEREBY ORDER** are summarized as follows:

Paragraph 1.b: This paragraph is modified so as to provide a further reduction of 2% from current rates effective January 1, 2001, bringing the total rate reduction as of that date to 7% from current rates. This reduction will consist in part of a permanent reduction of \$1 million in the delivery rate, resulting in a reduction of the average delivery rate from

4.810 cents per kwh to 4.734 cents per kwh, and in part of the implementation of a temporary rate refund consisting of a portion of the customers' share of net divestiture proceeds.

Paragraph 3: Consistent with the modification to paragraph 1, the distribution component of the delivery rate will be reduced on a permanent basis by \$1 million annually effective January 1, 2001, resulting in an average delivery rate reduction from 4.810 cents per kwh to 4.734 cents per kwh.

Paragraph 6: The residential classes (SC-1, SC-3, SC-5) BGS rate/shopping credits for years 1, 2 and 3 of the Transition Period shall be increased to the year 4 levels.

Paragraph 8: The Board will undertake a review at the beginning of year 3 of the Transition Period, with an opportunity for participation by the parties, to determine whether, and if so in what manner, RECo should bid out the Basic Generation Service ("BGS") responsibility for year 4.

Paragraph 12: Residential customers shall not under any circumstances be subject to the one-year commitment provisions of this paragraph. The Board will monitor whether gaming by third party suppliers or customers is occurring which warrants a revisitation of this issue.

Paragraphs 14 and 35: The Company shall be permitted to recover prudent and reasonably-incurred restructuring related costs, the categories of which are identified in Appendix F of the RECo Plan, via a Market Transition Charge ("MTC"), which RECo may bill as part of the delivery charge established in the RECo Plan as modified herein. The actual level of recovery of restructuring-related costs via the MTC shall be subject to review and adjustment by the Board to verify the actual level of such costs and to ascertain their reasonableness and prudence, and to net against the MTC recovery any other sources of revenue contributions towards restructuring-related costs, such as fees assessed on third party suppliers.

Paragraph 17: Effective August 1, 1999 the Societal Benefits Charge ("SBC") shall not collect for generation-related DSM lost revenues.

Paragraphs 18-21: The Board hereby accepts the general definition of net divestiture proceeds as set forth in the RECo Plan; however, the Board shall reserve judgement, and take comment prior to rendering a final determination with respect to the determination of net divestiture proceeds, including the appropriate treatment of accumulated investment tax credits and deferred income taxes, the allocation of such proceeds between O&R and RECo, and the sharing of RECo's appropriate share of such proceeds between shareholders and customers. We further modify these paragraphs to require that the costs of sale, including environmental remediation costs, shall be allowable only to the extent found reasonable and prudent by the Board. RECo shall submit to the Board within 15 days of the date of this Order a compliance filing which shall include a final proposed determination of net divestiture proceeds, based upon actual results of the closing of the asset sale.

Paragraph 23: The Board shall reserve judgement, and take comment prior to rendering a final determination, with respect to whether the costs associated with the TPSA and the IESA are reasonable and prudently-incurred and may be fully recovered in rates from customers.

Paragraphs 28 and 29: The interest rate on any unamortized Deferred Balance in the Restructuring Balancing Account of up to \$5 million shall be set at the cost of seven-year debt for RECo, as adjusted periodically. The interest rate on any Deferred Balance amounts in excess of \$5 million shall be 350 basis points higher than the cost of seven year debt. The Board will conduct a periodic review of the Deferred Balance.

Paragraph 31: In the event that the Deferred Balance exceeds \$5 million RECo may petition the Board and request relief under section 13.h. of the Act; however the burden of proving financial impairment shall rest with the Company and there shall be no rebuttle presumption of financial impairment.

Paragraph 36: The Board clarifies the intent of this paragraph that, since the residual transmission revenue requirement (the excess of total transmission revenue requirements as set forth in the 1996 Cost of Service Study over the level of the FERC-approved transmission rate) is included in the delivery charge, a change in the FERC-approved transmission rate during the Transition Period shall not result in a change in the delivery charge.

Paragraphs 39 and 41: These paragraphs are not incorporated by the Board as part of its decision in these matters.

In summary, subject to the conditions embodied herein, the rate discounts provided by RECo relative to current rates shall be as follows:

August 1, 1999	5%
January 1, 2001	7%
August 1, 2002	11.6%

The average shopping credits shall be as follows:

<u>Service Class</u>	<u>8/99- 7/00</u>	<u>8/00- 7/01</u>	<u>8/01- 7/02</u>	<u>8/02- 7/03</u>
SC-1 Residential	4.494	4.494	4.494	4.494
SC-3 Res Time of Day	4.272	4.272	4.272	4.272
SC-5 Res Space Heating	4.305	4.305	4.305	4.305
SC-4 Muni Street Lighting	4.160	4.212	4.262	4.346
SC-2 C & I	4.456	4.506	4.556	4.601
SC-6 Private Lighting	4.021	4.073	4.124	4.210
SC-7 Large C & I	4.385	4.435	4.485	4.535
System Average	4.460	4.489	4.518	4.545

As noted in the RECo Plan, these shopping credit levels do not include the cost of transmission services, which will continue to be provided directly to retail customers by RECo. Accordingly, for comparative purposes only, the following are the class and

system average shopping credits restated to include the system and class average FERC-regulated transmission rates:

<u>Service Class</u>	<u>8/99- 7/00</u>	<u>8/00- 7/01</u>	<u>8/01- 7/02</u>	<u>8/02- 7/03</u>
SC-1 Residential	5.263	5.263	5.263	5.263
SC-3 Res Time of Day	4.782	6.782	4.782	4.782
SC-5 Res Space Heating	4.804	4.804	4.804	4.804
SC-4 Muni Street Lighting	4.603	4.655	4.705	4.789
SC-2 C & I	5.003	5.053	5.103	5.148
SC-6 Private Lighting	4.407	4.459	4.510	4.596
SC-7 Large C & I	4.909	4.959	5.009	5.059
System Average	5.093	5.122	5.151	5.178

The overall average rates for RECo, in cents per kwh, are summarized as follows:

	<u>Current</u>	<u>8/99- 7/00</u>	<u>8/00- 12/00</u>	<u>1/01- 7/01</u>	<u>8/01- 7/02</u>	<u>8/02- 7/03</u>
BGS/Shopping Credit		4.460	4.489	4.489	4.518	4.545
MTC		0.000	0.000	0.000	0.000	0.000
ECA		0.443	0.414	0.414	0.385	0.028
SBC		0.201	0.201	0.201	0.201	0.000
Delivery Rate (T&D)		4.810	4.810	4.734	4.734	4.734
Temporary Credit		<u>NA</u>	<u>NA</u>	<u>-0.133</u>	<u>-0.133</u>	<u>-0.077</u>
Total	10.436	9.914	9.914	9.705	9.705	9.230
% Reduction from current rates		5.0%	5.0%	7.0%	7.0%	11.6%
TEFA Reduction		<u>(0.099)</u>	<u>(0.243)</u>	<u>(0.243)</u>	<u>(0.368)</u>	<u>(0.494)</u>
Total Rate		<u>9.815</u>	<u>9.671</u>	<u>9.462</u>	<u>9.337</u>	<u>8.736</u>

Within two (2) days of the date of this Order, the Company is **HEREBY** **DIRECTED** to submit to the Board revised rate schedules to implement this Order by August 1, 1999. By August 15, 1999, RECo shall submit to the Board the necessary tariff modifications to implement this Order and retail choice. The Company shall consult with Staff to assure the adequacy of the required submissions.

**DATED: 7/28/99**

**BOARD OF PUBLIC UTILITIES**

**BY: \_\_\_\_\_ SIGNED \_\_\_\_\_**  
**HERBERT H. TATE**  
**PRESIDENT**

**\_\_\_\_\_ SIGNED \_\_\_\_\_**  
**CARMEN J. ARMENTI**  
**COMMISSIONER**

**\_\_\_\_\_ SIGNED \_\_\_\_\_**  
**FREDERICK F. BUTLER**  
**COMMISSIONER**

**ATTEST: \_\_\_\_\_**  
**MARK W. MUSSER**  
**SECRETARY**